

June 23, 2006

Maine Milk Commission Special Meeting Minutes  
Deering Building, Room 233  
Augusta, Maine 04333

Notices for the June 23, 2006 meeting were distributed to Commission members, intervenors and other interested parties May 19, 2006 and sent to the Secretary of State's Office for posting on May 19, 2006.

**Commission Present:** Chair, Michael Wiers, Katherine O. Musgrave, Colon Durrell, John Joseph Jr. and Shelley Doak *ex-officio*.

**Commission Absent:** None

**Department Officials:** Commissioner Seth Bradstreet III

**Staff Present:** Stanley Millay, Executive Director, and Carol Gauthier administrative assistant

**Legal Counsel:** Lucinda White, Assistant Attorney General

**Intervenors Present:** John Blake, H.P. Hood, Inc. and Thomas Brigham, Oakhurst Dairy.

**Others Present:** Dale Cole, Galen Larrabee, Chuck Farrand, Brian Wright, Fred Hardy and Julie-Marie Bickford from the Maine Dairy Industry Association (MDIA). Also present were Dr. George Criner and Dr. Timothy Dalton both from the University of Maine.

---

Meeting called to order at 1:45 P.M. by chair, Michael Wiers.

**Agenda Item 1: Minutes:** Shelley Doak made a motion to accept the minutes of the May 19, 2006 meeting. Colon Durrell seconded. Motion passed 4-0.

**Agenda Item 2: Lucinda White, Assistant Attorney General:** Lucinda discussed an H.P. Hood promotion that was brought at the May 19, 2006 meeting. She presented criteria to follow when assessing a promotion for compliance with the Commission statutes. She further pointed out that the statute does not require the Commission to provide prior approval of promotions nor does it require those interested in offering promotions to seek approval.

Shelley Doak asked Tom Brigham about an on going Oakhurst promotion that states on the container cover: "*10% of profits to Kids and the environment*". Tom responded saying it was general advertising.

Lucinda said that the Oakhurst statement does not offer cents off the sale nor offer a value for the container cover like H.P. Hood is offering in their promotion. She pointed out that if there were no profits then no money was donated. She went to state that in both promotions the Commission could not determine if a violation of the minimum milk prices had occurred without an audit of both companies.

Tom Brigham told the Commission that some years ago Oakhurst had asked permission to do a promotion similar to the one H.P. Hood is currently doing and the Commission said no.

Dr. Criner distributed some information from a Canadian study about the effects of advertising on milk consumption. He suggested that the Commission look into adding something for advertising in the dealer model.

Katherine Musgrave stated that she saw no clear criteria to use to compare the H.P. Hood promotion to in order to decide if it was in compliance. Mike Wiers asked the Commission staff to develop some guidelines to use when reviewing milk promotions.

**Agenda Item 3: Minimum Prices:** The prevailing premium is \$1.10/cwt on Class I for July 2006 reported by Dairy Marketing Services (DMS). Agri-Mark Cooperative reported \$0.90/cwt on Class I outside of Maine but reported that they continue charging their Maine customers \$1.10/cwt.

There is a Farm Bill Counter Cyclical Payment (MILC) for July 2006 of \$0.799. Congress has reauthorized the MILC program at a reduced rate: (34% of \$16.94 minus the Class I Price).

Julie-Marie Bickford told the Commission that fuel prices, and costs related to fuel, were increasing and putting a bigger burden on dairy producers. She distributed news items about the effects of the excessive rain recently received and how it has burdened dairy producers. She pointed out that many dairy producers have had to re-plant their crops and that hay harvesting has been delayed thus reducing forage quality. These problems combined with the extraordinarily low farm milk prices have put many dairy producers in very precarious financial positions. They have absolutely no resources for preventive measures she said.

Dale Cole asked that the producer cost of production margin that was \$0.95/cwt for June milk be moved higher. He reminded the Commission that they had been as high as \$1.16/cwt in the past and he saw no reason why they could not exceed that number given the extreme circumstances facing dairy producers in Maine.

Dr. Dalton presented his results from the producer cost study he is working on for the Commission. He agreed that fuel costs had gone up since the producer margin study had been completed, but pointed out that some costs, such as delivery costs of corn, had actually gone down. However, he pointed out that the revised costs in the model show that the short-run breakeven (SRBE) levels for all three farm sizes in the study have increased. The small farm SRBE increased from \$17.12 to \$18.50, the medium farm SRBE level increased from \$14.97 to \$16.08 and the large farm SRBE level increased from \$14.28 to \$15.30. He said he would provide monthly up-dates showing how producer costs are changing.

Brian Wright informed the Commission that he was in the large farm category and his costs had increased by \$1.40/cwt since last year and that the poor weather conditions were making in worse. He said they were looking at lay-offs and other things they could do to reduce their expenses.

Dale Cole told the Commission that the retailers and dealers have the ability to pass on their costs but dairy producers do not. He said the producers need money now to survive and urged the Commission to do all that they could.

Shelley Doak made a motion to proceed with rulemaking to revise the Producer Margin Rule 26 to include the latest producer SRBE costs in the three categories as presented by Dr. Dalton. Colon Durrell seconded. Motion passed 4-0. Public Hearing will be held on July 21, 2006. A 10-day written comment period will follow through July 31. The Commission will hold a special meeting at 10:00 AM on August 2, 2006 to consider the comments received and revise Rule 26 if necessary.

John Joseph made a motion to accept schedule #07-06 as presented except that the producer cost of production adjustment be increased from \$0.95/cwt to \$1.05/cwt. It includes a \$14.59/cwt Class I Price, plus \$1.10/cwt as prevailing in Southern New England, plus \$1.40/cwt for a handling fee and plus a \$0.20/cwt processor assessment, for a total dealer Class I cost of \$18.34/cwt. Shelley Doak seconded.

Galen Larrabee informed the Commission that farm milk prices were bad and urged the Commission to do all that they could.

Julie-Marie Bickford pointed out that the increasing retail prices of milk in the supermarkets during periods of low farm milk prices were frustrating because the large profits at retail do not help the producer at all. She asked for an up-date on Maine milk production. Stan Millay said that the milk production in Maine decreased 5% in May compared to May 2005.

Shelley Doak asked for the impact on minimum milk prices caused by increasing the producer cost of production margin. Stan Millay provided this information.

Tom Brigham pointed out that even a 1 or 2 cents increase in the minimum price might trigger a 10-cent increase at retail depending on the pricing policy of the retailer. He went on to suggest that increases in the producer cost margin could effect processors to the point of forcing them to buy milk from different sources.

Dale Cole told the Commission that dairy producers were just trying to recover their costs.

John Joseph asked to withdraw his motion and Shelley Doak agreed. John Joseph then made a motion to adopt schedule #07-06 as presented except that the producer cost of production adjustment be increased from \$0.95cwt to \$1.16cwt. It includes a \$14.59/cwt Class I Price, plus \$1.10/cwt as prevailing in Southern New England, plus \$1.40/cwt for a handling fee and plus a \$0.20/cwt processor assessment, for a total dealer Class I cost of \$18.45/cwt. Katherine Musgrave seconded. Motion passed 4-0.

Julie-Marie Bickford informed the Commission that consumption of milk is increasing somewhat and consumers continue to buy Maine milk despite the excessive pricing going on at retail. She said that Maine dairy producers recognize the stress that is placed on Maine processors by the increasing the producer cost of production. She urged the Commission and others to be aware of the exorbitant prices prevailing at retail.

**Agenda Item 4: Maine Monthly Price Survey:** The Commission reviewed the Maine price survey for June 2006 which included prices for Augusta and Bangor. They also reviewed the IAMCA price surveys for April and May.

**Agenda Item 5: Next Scheduled Meetings:**

- July 21, 2006, Friday 1:30 p.m.  
Room 233, Department of Agriculture, Food & Rural Resources  
Augusta, Maine
- August 2, 2006, Wednesday 10:00 a.m.  
Room 233, Department of Agriculture, Food & Rural Resources  
Augusta, Maine
- August 21, 2006, Monday 10:00 a.m.  
Room 233, Department of Agriculture, Food & Rural Resources  
Augusta, Maine
- September 22, 2006, Friday 1:30 p.m.  
Room 233, Department of Agriculture, Food & Rural Resources  
Augusta, Maine
- October 20, 2006, Friday 1:30 p.m.  
Room 233, Department of Agriculture, Food & Rural Resources  
Augusta, Maine

**Agenda Item 6: Other:**

1. **Milk Commission Budget:** The Commission Reviewed income and expenditures.
2. **Dealer Margins Producer Margins:** Dr. Criner up-dated the Commission on the Dealer margin study. He reported that a survey has been sent to each processor. Plant costs will be assembled and the data analyzed. Updates will be provided to the Commission monthly. A final report will be completed by fall. Producer margin study was discussed earlier in the meeting.

**Agenda Item 7: Executive Session:** The Commission did not go into Executive Session. Adjourned: 3:25 P.M

Stanley Millay, Executive Director, Maine Milk Commission.